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Patricia Banks Morrison
Senior Counsel

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2005-5-6

September 15, 2006

Mr. Charles L. A. Terreni
Chief Clerk and Administrator
Public Service Commission of SC
100 Executive Center, Suite 100
Columbia, South Carolina 29210

Mr. C. Dukes Scott
Executive Director
Office of Regulatory Staff
1441 Main Street, Suite 300
Columbia, SC 29201

SC PUBLIC SERVICE
COMMISSION

2006 SEP 15 PM 4:31

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Re: SCE&G's September 2006 Adjustment to its Gas Cost Factor
Order No. 2005-653 and Order No. 2006-99

Dear Mr. Terreni and Mr. Scott:

By Order No. 2005-653, dated November 8, 2005, and Order No. 2006-99, dated February 14, 2006, the Public Service Commission of South Carolina (the "Commission") authorized South Carolina Electric & Gas Company ("SCE&G" or the "Company") to adjust its cost of gas factor on a monthly basis according to the procedure and methodology outlined in Paragraph 6 of the Settlement Agreement which was incorporated into Order No. 2005-653. With certain limitations, SCE&G is authorized to make monthly adjustments in the cost of gas factor, so long as there is a material variance between the forecast on which the factors was set and the updated forecast of over- or under-collection for the current month. By letter dated February 6, 2006, SCE&G requested the Commission amend Order No. 2005-653 to allow it to implement cost-of-gas factors below the Firm Commodity Benchmark of \$1.14135 per therm while an under-collection remains. This request reflected the Company's desire to recognize recent reductions in the prices charged for natural gas supplies in the natural gas markets. The Commission approved the Company's request in Order No. 2006-99.

In accordance with the above-referenced orders, SCE&G hereby informs the Commission that it is prepared to pass through a commodity cost-of-gas factor below the Firm Commodity Benchmark of \$1.14135 and consistent with the cost-of-gas factor approved by the Commission in Order No. 2006-99. This cost of gas factor, provided below, will be implemented for the eighth billing cycle of September 2006. Attached to this letter is a revised forecast of the under-collection of gas costs for the period ending October 31, 2006.

Mr. Charles L.A. Terreni
Mr. C. Dukes Scott
September 15, 2006

Customer Class	Cost of Gas Factor
Residential	\$1.22695
Small General Service/ Medium General Service	\$1.15184
Large General Service	\$1.12789

As required by the Settlement Agreement, the cost of gas factor set forth here will remain in effect for bills through the seventh billing cycle of October unless changed by an adjustment at that time.

Please contact me if you have any questions.

With kind regards,

A handwritten signature in black ink, appearing to read 'PBM', with a stylized flourish at the end.

Patricia Banks Morrison

PBM/kms

**SOUTH CAROLINA ELECTRIC AND GAS COMPANY
OVER/UNDER COLLECTION**

	COMMODITY COST PER THERM (COL. 1)	BILLING COMMODITY COST PER THERM (COL. 2)	DIFFERENCE (COL. 3) (1-2)	FIRM SALES THERMS (COL. 4)	COMMODITY (OVER)UNDER COLLECTION (COL. 5) (3x4)	DEMAND (OVER)UNDER COLLECTION (COL. 6)	PRIOR MONTH ADJUSTMENTS (COL. 7)	TOTAL MONTHLY (OVER)UNDER COLLECTION (COL. 8) (6+6+7)	CUMULATIVE (OVER)UNDER COLLECTION (COL. 9)
BEGINNING BALANCE ---									
NOV 05 Actual	\$1.75007	\$1.14135	\$0.608728	15,595,902	\$9,493,663	\$795,639	\$0	\$10,289,302	\$16,997,496
DEC 05 Actual	\$1.51908	\$1.14135	\$0.377735	7,933,070	\$2,996,696				
DEC 05 Actual	\$1.51908	\$1.20565	\$0.313435	22,699,531	\$7,114,821	(\$725,333)	\$183,996	\$9,570,079	\$36,856,877
JAN 06 Actual	\$1.04427	\$1.20565	(\$0.161378)	13,740,442	(\$2,217,400)				
JAN 06 Actual	\$1.04427	\$1.14135	(\$0.097078)	20,128,127	\$1,953,990	(\$1,948,334)	\$32,347	(\$6,067,377)	\$30,769,500
FEB 06 Actual	\$0.99706	\$1.14135	(\$0.144295)	9,945,301	(\$1,435,053)				
FEB 06 Actual	\$0.99706	\$1.07101	(\$0.073955)	20,697,878	\$1,530,703	(\$1,376,136)	\$320,474	(\$4,021,418)	\$26,748,082
MAR 06 Actual	\$0.69986	\$1.07101	(\$0.371145)	26,611,245	(\$9,876,633)	\$9,053	\$0	(\$9,867,580)	\$16,880,502
APR 06 Actual	\$0.47478	\$1.07101	(\$0.596233)	16,169,548	(\$9,640,818)	\$958,164	\$0	(\$8,682,655)	\$8,197,847
MAY 06 Actual	\$0.67039	\$1.07101	(\$0.400619)	9,497,077	(\$3,804,706)	\$1,759,214	\$0	(\$2,045,492)	\$6,152,355
JUN 06 Actual	\$0.57644	\$1.07101	(\$0.494570)	7,969,535	(\$3,941,496)	\$2,685,955	\$0	(\$1,255,541)	\$4,896,814
JUL 06 Actual	\$0.62694	\$1.07101	(\$0.444070)	6,712,236	(\$2,980,700)	\$2,626,997	\$0	(\$3,53,703)	\$4,543,111
AUG 06 Actual	\$0.66534	\$1.07101	(\$0.405668)	6,782,045	(\$2,751,256)	\$1,644,598	\$302,643	(\$804,015)	\$3,739,096
SEP 06 Projected	\$1.01697	\$1.07101	(\$0.054040)	7,096,000	(\$883,468)	\$1,597,605	\$0	\$1,214,137	\$4,953,233
OCT 06 Projected	\$1.06810	\$1.07101	(\$0.002910)	8,584,000	(\$24,979)	\$1,359,498	\$0	\$1,334,519	\$6,287,751